(b) and (c) The Southern Gujarat Chamber of Commerce and Industry in its memorandum submitted to the Ministry has pointed out that cultivation of cash crops is the most profitable activity in South Gujarat and that industrial activity an around Surat has also attracted the attention of NRIs as a potential centre for industrial investments. The Chamber has also pointed out that the share of South Gujarat in the total turnover of the Bombay Stock Exchange is nearly 25 percent.

(d) and (e) There are already three recognised Stock Exchanges in the State of Gujarat and this is the highest number of Stock Exchanges in any State in the country. Besides the National Stock Exchange of India Limited is expected to provide services to investors from all over the country in due course. In view of these factors, the establishment of a Stock Exchange at Surat does not seem justifiable.

Detection and investigation of Bank Fraud Cases

443. *Transferred to 13th December, 1993.)*

444. SHRI SURESH PACHOURI: Will the Minister of FINANCE be pleased to state:

(a) whether the Bank frauds during 1992 were higher as compared to 1990;

(b) what is the total number of cases of frauds reported to RBI in 1992;

(c) to what extent they were more in comparison to 1991;

(d) whether during 1990, the bank frauds were 1,034 and the amount involved was Rs. 8,598.36 lacs;

(e) whether upto March, 1993, 340 cases were reported involving an amount of Rs. 1,129 lakhs;

(f) if so, whether RBI appointed a Committee in 1991 and the same has submitted its report in June, 1992;

(g) if so, what were the main r commendations made by the Commi tee;

(h) whether it is alo a fact th investigating cells will be set up f investigating cases of Bank frau and

(i) to what extent the bank frau were checked?

THE MINISTER OF STATE THE MINISTRY OF FINAN(AND MINISTER OF STATE IN TI MINISTRY OF PARLIAMENTAI AFFAIRS (DR ABRAR AHMED): (and (b) Yes, Sir. 1717 frauds we *reported by public sector basis* (i cluding overseas branches) to Reser Bank of India (RBI) during 1992 compared to 1687 frauds repor during the year 1990.

(c) For the year 1991 the pub sector banks reported 1559 frauds a in 1992, 1717 frauds were report representing an increase of 158 cas of frauds.

(d) The number of frauds repor by the 20 nationaised banks for year 1990 was 1034 and the amo involved was Rs. 8598.36 lakhs p Ugandan Shillings 4597787.

(e) In 1993 (upto March), 340 ca were reported and an amount of 1129 lakhs was involved.

(f) Yes, Sir.

(g) The main recommendations the Committee are given in the st ment (*See* below).

(h) RBI has reported all the public sector ba have set up Vigilance C both at Head Office and cont ling office levels to look into the v lance cases in respect of both aw staff and others. RBI has further ported that investigations are cond ted by staff of Vigilance Cells services of Internal Inspection/Au Department as well as other expe enced staff are also utilised for t purpose.

(i) RBI has reported that it is expected that with the steps taken measures initiated to implement the recommendations of the Committee which examined various aspects relating to frauds and malpractices in banks and steps taken to tone up the internal control and vigilance machinery in banks, the incidence of frauds and malpractices will be brought under check.

Statement

Summary of the main recommendations of the Committee appointed by Reserve Bank of India (RBI) to enquire into various aspects of frauds and malpractices in Banks

1. Banks should strictly adhere to the operational precautions.

2. Currency chest transactions should be reported to the RBI's Issue Department on the same day.

3. Banks should guard themselves against misuse of banking channels for activities such as laundering and report promptly unusal transactions to their Head Offices for taking up with tax authorities.

4. Banks should have a written investment policy outlining the essential features of investment portfolio management. They should also review their existing systems and procedures.

5. Banks should lay down a written loan policy as a strong foundation for loan portfolio management.

6. To prevent frauds in advances portfolio, banks should bestow adequate attention to overcome the shortcoming by imparting requisite/need-based training to staff.

7. Banks should establish an independent loan review department both at Head Office and Zonal Office/Regional Office levels.

8. Banks should tone up their control and security procedures so as to guard against frauds in computer relating areas.

9. Banks should tone up the efficacy of their inspection and audit machinery for timely detection of irregularities, malpractices and frauds.

10. Proper control systems need to be introduced to govern the working of subsidiaries so as to ensure that activities prohibited for banks to engage in, are not undertaken by the subsidiaries.

11. In order to be effective, CVOs need to work independently without pressures from the top management and be given adequate statutory powers to carry out preliminary investigations build up cases thereafter hand them over to the appropriate law enforcement authorities. The Banks should also evolv systems to ensure that subsidiaries esablished for different purposes are brought under the purview of appropriate vigilance machinery.

12. There should be effective co-ordination between different investigating agencies—vigilance department of banks, CBI and Police. Periodical meeting among the RBI, CVC, CBI and Banking Division may also be held.

Decline in the Collection of Income Tax and other taxes

445. SHRI SHIV PRATAP MISHRA: Will the Minister of FINANCE be pleased to state·

(a) whether it is a fact that revenue collection due to income tax and other taxes is likely to show a decline during the current year;

(b) if so, the likely fall thereof; and the reasons therefor; and

(c) the steps Government propose to take to increase the revenue?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR